VZCZCXYZ0017
PP RUEHWEB

DE RUEHRB #0978/01 3501413
ZNR UUUUU ZZH
P 161413Z DEC 09
FM AMEMBASSY RABAT
TO RUEHC/SECSTATE WASHDC PRIORITY 0947
INFO RUCNMGH/MAGHREB COLLECTIVE
RUEHCL/AMCONSUL CASABLANCA 0009
RUCPDOC/DEPT OF COMMERCE WASHDC

UNCLAS RABAT 000978

SIPDIS
SENSITIVE

STATE FOR EEB/CBA, NEA/MAG AND EEB/IFD/OMA
STATE PLEASE PASS OPIC

E.O. 12958: N/A
TAGS: EINV ECON EFIN SENV MO
SUBJECT: MOROCCO'S FIRST BEACH RESORT UNDER NATIONAL
TOURISM STRATEGY IS A GHOST TOWN

REF: RABAT 0392

Sensitive but Unclassified. Please protect company
proprietary information.

¶1. (SBU) Summary: Three months after the fanfare surrounding the June 19 inauguration of Morocco's first seaside resort completed under the "Plan Azur" or Blue Plan tourism strategy, Saidia Mediterranean officially closed its doors to tourists. The Saidia resort represents a USD 1.5 billion investment by the Moroccan real estate development group Addoha. Its two major hotels have shut down, and British buyers are reportedly backing out of villa purchases. The associated marina is not fully functional. Environmentalists have complained about accelerated ecological destruction of the site, known for its biodiversity. Addoha representatives state that the hotels are closed for the low-demand winter season and will use the time to prepare for the next season. Addoha, however, recently announced the planned opening of a third hotel in Saidia in summer 2010. While closing tourist resorts over the winter is not unheard of in Morocco, the adjustment of initially confident plans for year-round operations represents another setback for Morocco's beleaguered high-profile tourist stations. Other Plan Azur resorts are proceeding, and Morocco is still hopeful that approximately 8 million tourists will visit in 2009. End Summary.

Rush to the Finish Line Backfires

¶2. (SBU) King Mohammed VI inaugurated the first seaside resort under Vision 2010's Plan Azur or Blue Plan strategy to boost tourism on June 19 in Saidia on the Mediterranean border with Algeria. The USD 1.5 billion project envisions accommodations for 30,000 tourists in 9 upscale hotels, 12 holiday villages, 8 tourist complexes, 2,700 apartments and 300 villas, with 3 golf courses, a 1,350-berth marina, and a 160-store mall (the "medina"). At the inauguration, however, the resort was only filled to 33 percent capacity, the timing of the opening dictated by the Government of Morocco's (GOM,s) insistence that it host the country's ninth annual tourism convention (the "Assises du Tourisme"). High-level government, business and diplomatic representatives attending the convention stayed at one of the hotels. (Note: EconOff, who also attended, observed the resort in a substantially incomplete state, with most of the facilities still under construction. Two hotels, one golf course, a handful of shops and part of the marina were operational. End Note.)

¶3. (SBU) Despite Minister of Tourism (MOT) Mohammed Boussaid's admission of the "excessively ambitious timeline"

of the Plan Azur project in May (reftel), he announced his commitment to maintain the "dynamism of investment in the sector, develop the commercialization of Moroccan tourism, and reinforce the quality of service provided" during the convention in June. Three months later, Plan Azur's first resort completely shut down. Adil Bensouda from the MOT General Secretariat told EconOff that it is normal for some hotels to close during the winter months. However, he continued, "This is a 100 percent private matter handled by the Moroccan branch of the Spanish group Fadesa (part of Addoha Group) and the Ministry is not involved in its decisions."

Government Pressure to Develop Saidia

¶4. (SBU) Saidia's two operational hotels, Barcelo and Iberostar, with 614 and 458 rooms, respectively, have been closed since September and are expected to reopen in March 2010, Fadesa Maroc's Director of Communications Souhail Berrada informed EconOff. The hotels are closed during the off season, he added, mainly because of climatic conditions that are not conducive to winter tourism in northern Morocco. He underlined that many resorts in the region close during winter. The resort is its initial period of functioning, he said. He added that the company will use the winter recess to train staff and make other preparations for the next season, addressing a shortfall in qualified staff. (Note: Before the inauguration, observers noted the lack of trained tourism personnel as an obstacle for the resort to overcome. End Note.) In the future, Berrada concluded, the resort will be counting on 12 months' occupancy.

¶5. (SBU) Although ministry representatives insist the Government is not involved in Addoha's decisions, Addoha's General Director Jawad Ziyat acknowledged in a press interview that, "from a purely touristic point of view," Addoha is more interested in operating in the southern part of Morocco. Because of the need for equitable development of different regions, he stated, the Government emphasized Tangier, Tetouan and Saidia in the Plan Azur. While news reports claim that there is very little activity in the resort and that its golf course, many shops and restaurants are closed, Ziyat noted that about half of the shops in the "medina" are open, as well as several shops and restaurants in the marina. Hotel management has also met MOT representatives, highlighted Ziyat, to discuss how to "manage the constraints imposed by the weather."

Investors Back out of Villa Purchases

¶6. (SBU) Moroccan daily L'Economiste reported on November 30 that about 20 United Kingdom citizens have backed out of villa purchases in Saidia and demanded a refund of their deposits (approximately USD 120,000 each). These individuals, the report continued, complained that the villas were not ready during the timeframe agreed upon with the developer. Ziyat attributed the UK buyers' withdrawal to the international economic crisis (a factor the buyers' lawyer admitted was important in the decision) and added that this is not unique to the Fadesa project, since British clients have also backed out of purchases in Portugal and Spain. At the same time, he added, some 150 UK citizens have made deposits for the group's other tourism project in Tangier.

¶7. (SBU) The UK Trade and Investment (UKTI) Center in Morocco reports that almost 70 percent of the investors in the Saidia project are British. Unmet deadlines, lack of accountability and the developer's lack of professionalism were the main reasons British investors decided to pull out of the project, UKTI's Najat Benyahia informed EconOff. Some wanted their money back, she continued, and asked for British government's help. When the British Government was unable to satisfy the investors, they wrote to the King, she told us.

To date, none has received a refund.

Incomplete Marina

¶8. (SBU) The marina has been criticized for the lack of a fuel and service station for boats. According to news reports, fuel for yachts is smuggled from Algeria in five-liter jugs. Ziyat disputed these claims, saying that a petroleum company is supplying fuel on-site to large boats pending construction of a fuel station (slated to open in early 2010), while smaller boats use fuel jugs which enter the port after having passed through customs.

Job Creation Overrides Environmental Concerns

¶9. (SBU) Environmental activists have sharply criticized the resort's impact on Saidia beach and the broader ecosystem around the estuary of the river Moulouya, which the MOT has classified as particularly biodiverse. Moroccan NGOs such as "Ecoplateforme du Nord" and "Espace de Solidarite de Cooperation de l'Oriental (the Movement or Space for Solidarity and Cooperation in the Oriental -- SSCO), have posted videos on YouTube denouncing the Saidia project from its inception. The resort significantly contributes to the erosion of Saidia beach, deforestation of the area and water pollution, stressed ecologist and SSCO President Mohammed Benanate. "Ecoplateforme du Nord" also denounced the "irreversible ecological damage" that the resort has wrought on Saidia's ecosystem.

¶10. (SBU) When asked about the project's impact on the environment, local authorities in the Oujda region (of which Saidia is a part) acknowledged that the benefits of development outweighed the possibility of environmental degradation in making the decision to proceed with the project. "One has to choose," said Oujda Region Governor Mohamed Brahimi in a press interview, "between the preservation of a turtle and the creation of economic

dynamism in the region, with at least 50,000 new jobs and income of 5 million dirhams (approximately USD 700,000)." The choice was easy, he concluded, as "this used to be a marshland which brought zero dirhams to the state." (Note: The Mission is unaware of particular projected impacts on turtle populations and believes Brahimi was speaking off-the-cuff. End Note.)

More Plan Azur Resorts to Come

¶11. (SBU) Located one hour south of Casablanca, the second seaside project under Plan Azur, the Mazagan Beach Resort, opened in October 2009 near the Atlantic coast city of El Jadida. American-owned Colony Capital, through its subsidiary Kerzner Development, oversaw the development of the five-star, 500-room hotel, golf course, spa and casino resort, which remains open during the winter season. This week MOT Minister Boussaid officially announced the commencement of construction in 2010 of an additional long-stalled Plan Azur project, Plage Blanche, managed by Addoha through Fadesa Maroc. Addoha also recently announced plans to open in July 2010 a third hotel costing USD 52 million within the Saidia resort, again managed by Fadesa Maroc.

¶12. (SBU) COMMENT: Although it is not uncommon in Morocco for a beach resort to close its doors during the winter months, this forced change of plans is an embarrassment for the Saidia resort, which validates Boussaid's belated assessment that the original plan was too ambitious. Circumstances outside of the developer's control (including weather and the global economic climate) contributed to the adjustments in earlier projections. The MOT and Moroccan

developers will need to carefully review their ongoing tourism development plans -- equally sensitive to external conditions -- to avoid a renewed plunge into construction without adequate assurances of foreign demand. Despite the setbacks, however, the GOM still identifies tourism as a key base for the country's economic development and future current account balance, and will likely continue developing new offerings to attract foreign tourists. The GOM estimates that approximately 8 million tourists will visit Morocco in 2009, and while Colony Capital substantially reduced its planned investments in 2009, the MOT, Addoha and its Spanish partners continue to move ahead. END COMMENT.

****
Visit Embassy Rabat's Classified Website;
http://www.intelink.sgov.gov/wiki/Portal:Moro cco
****

KAPLAN